

## Message Text

CONFIDENTIAL

PAGE 01 KUWAIT 03443 01 OF 02 071523Z  
ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 NEAE-00 AF-04 EUR-08 INR-05  
CIAE-00 NSAE-00 EB-04 OMB-01 SP-02 NSCE-00 IO-06  
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P 071425Z JUN 78

FM AMEMBASSY KUWAIT  
TO SECSTATE WASHDC PRIORITY 1175  
INFO AMEMBASSY ABU DHABI  
AMEMBASSY AMMAN  
AMEMBASSY BONN  
AMEMBASSY CAIRO PRIORITY  
AMEMBASSY DOHA  
AMEMBASSY JIDDA  
AMEMBASSY KHARTOUM  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
DEPT TREASURY WASHDC PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 KUWAIT 3443

LIMDIS

E.O. 11652: GDS  
TAGS: EAID, EFIN, EG  
SUBJECT: ARAB AID TO EGYPT--CONSULTATIVE GROUP MEETING

REF: (A) KUWAIT 3405, (B) STATE 135986 (NOTAL), (C) CAIRO  
14319 (NOTAL), (D) CAIRO 14011 (NOTAL), (E) CAIRO 14005 (NOTAL),  
(F) KHARTOUM 2123 (NOTAL), (G) KUWAIT 2746 (NOTAL), (H) KUWAIT  
2747.

1. SUMMARY: AS REPORTED REF A, KUWAIT FUND DIRECTOR GENERAL  
AL-HAMAD WILL ATTEND PARIS CONSULTATIVE GROUP MEETING ON  
EGYPT. HE REMAINS FRUSTRATED BOTH THAT EGYPT IS NOT DOING  
MORE TO GET ITS ECONOMIC HOUSE IN ORDER, AND THAT IT CONTINUES  
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PAGE 02 KUWAIT 03443 01 OF 02 071523Z

TO LEAVE ARAB DONORS IN THE DARK ON ITS ECONOMIC PLANS. HE  
HAS HELPED EGYPT AND WILL CONTINUE TO HELP, BUT FEELS  
THAT PRESSURE IS NEEDED TO BRING ABOUT ESSENTIAL CHANGES  
THERE. THE MISSING ELEMENT IN EGYPT IS NOT SO MUCH  
FINANCE AS IT IS SOUND MANAGEMENT, AND A WILLINGNESS TO  
HEED SOUND ADVICE. IN AL-HAMAD'S EYES, THE EGYPTIANS  
ARE FAILING TO MAKE THEIR CASE WITH THE RIGHT PEOPLE

AMONG ARAB DONORS, AND HE ASKS US TO BRING HOME TO THE EGYPTIANS THE IMPORTANCE OF THEIR STARTING AND MAINTAINING A SERIOUS DIALOGUE WITH THOSE DONORS. END SUMMARY.

2. CHARGE ACCOMPANIED BY E/C SECTION CHIEF BUCK CALLED ON KUWAIT FUND DIRECTOR GENERAL ABDUL LATIF AL-HAMAD JUNE 6 AND MADE DEMARCHE ALONG LINES OF PARA 7 REF B. FOLLOWING IS GIST OF AL-HAMAD'S LONG AND ANIMATED REPLY.

3. PARIS CONSULTATIVE GROUP MEETING. AL-HAMAD SAID HIS COLLEAGUES AT THE KUWAIT FUND WERE CONVINCED BY IBRD OFFICIAL PAJMAN'S DURING HIS VISIT TO KUWAIT IN MID-MAY THAT THE SITUATION IN EGYPT IS LESS GLOOMY THAN IT APPEARED. ACTING ON THEIR ADVICE AL-HAMAD DECIDED TO ATTEND THE PARIS CONSULTATIVE GROUP MEETING ON EGYPT. IT HAD APPEARED THAT THIS MEETING WOULD CONFLICT WITH THE IDA REPLENISHMENT MEETING IN LONDON JUNE 15, BUT HE LEARNED JUNE 5 THAT THIS WAS NOT THE CASE AND SO WILL ATTEND.

4. EGYPT: ALTHOUGH NOW WILLING TO ATTEND THE CG MEETING, AL-HAMAD HAS LOST NONE OF HIS SENSE OF FRUSTRATION OVER WHAT HE FEELS IS A DEPLORABLE EGYPTIAN UNWILLINGNESS TO SET ECONOMIC PRIORITIES, TO LISTEN TO ADVICE FROM THEIR FRIENDS OR EVEN TO KEEP THEM INFORMED. AL-HAMAD REPEATED HIS COMPLAINT (REF H) THAT ALTHOUGH THE EGYPTIANS HAD CONFIDENTIAL

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PAGE 03 KUWAIT 03443 01 OF 02 071523Z

PROMISED TO COME UP WITH A FIVE YEAR PLAN BY AUGUST 1977, THEY STILL HAD NOT DONE SO. HE HAD RECEIVED THE IBRD REPORT ON EGYPT (REF B), BUT THIS DID NOT FILL THE BILL. TO PUT IT BLUNTLY, AL-HAMAD SAID, AS HE HAD TOLD MORGAN STANLEY'S DEBS, ALL OF FORT KNOX COULD BE PLACED IN TAHRIR SQUARE AND IT WOULD SINK INTO THE GROUND WITHOUT A TRACE. EGYPT'S PROBLEM WAS NOT MONEY, BUT MANAGEMENT. JORDAN WAS A GOOD COMPARISON. THE COUNTRY HAD NO RESOURCES; IT LOST HALF ITS TERRITORY; IT SUFFERED A CIVIL WAR, AND YET IN THE PAST 7 YEARS, UNDER THE DYNAMIC ECONOMIC LEADERSHIP OF PRINCE HASSAN, JORDAN HAD MADE ENORMOUS STRIDES. JORDAN HAD DONE THIS BECAUSE ITS LEADERSHIP KNEW WHERE THEIR COUNTRY SHOULD BE GOING AND HAD MADE ITS NEEDS PLAIN. BECAUSE OF THIS, AL-HAMAD WAS RIGHT NOW TRYING TO FIGURE OUT SOME WAY HE COULD FIND MORE FUNDS TO FINANCE A POTASH PROJECT IN JORDAN.

5. IN COMPARISON AL-HAMAD SAW NOTHING IN EGYPT BUT MIS-MANAGEMENT. FOR EXAMPLE, THE KUWAIT FUND HAD AGREED TO FINANCE THE TALHA FERTILIZER PLANT, WHICH WOULD PROVIDE VITAL FERTILIZER FOR EGYPT'S AGRICULTURAL ECONOMY. YET, BECAUSE THE EGYPTIANS HAVE NOT COME UP WITH 1 MILLION

EGYPTIAN POUNDS IN COUNTERPART FINANCING, THE PROJECT IS  
DELAYED AND EGYPT MUST PAY 12 MILLION DOLLARS A MONTH  
FOR DAMAGES AND FERTILIZER IMPORTS AL-HAMAD  
CLAIMED. WHAT IS NEEDED IN EGYPT IS REAL REFORM, AL-HAMAD  
SAID. THIS DOES NOT NECESSARILY MEAN CUTTING SUBSIDIES  
FOR THE POOR, BUT IT DOES MEAN SETTING PRIORITIES AND  
HAVING A LEADERSHIP WILLING TO LISTEN TO SOUND ECONOMIC  
ADVICE. MANY EGYPTIAN MINISTERS HAD A SIX-MONTH HORIZON.  
THOSE WHO ARE EGYPT'S REAL FRIENDS SHOULD KEEP THE PRESSURE  
ON EGYPT TO MAKE THE NECESSARY REFORMS AND TO GIVE EGYPT  
THE BAD NEWS RATHER THAN BLANDLY LETTING EGYPT DELAY ACTIONS  
WHICH ARE VITALLY NEEDED. "THE EGYPTIANS DON'T LISTEN TO  
US BECAUSE WE TELL THE UNPLEASANT TRUTH." KAISOONI DID  
LISTEN, BUT NOW HE IS GONE. EL SAYEH WILL LISTEN BUT WILL  
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PAGE 04 KUWAIT 03443 01 OF 02 071523Z

THE LEADERSHIP LISTEN TO EL SAYEH? KUWAIT USED TO HAVE  
REAL INFLUENCE WITH EGYPT, BUT NOT ANY MORE. NOW IT IS  
ONLY YOU AMERICANS WHO CAN INFLUENCE EGYPT."

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PAGE 01 KUWAIT 03443 02 OF 02 071532Z

ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 NEAE-00 AF-04 EUR-08 INR-05

CIAE-00 NSAE-00 EB-04 OMB-01 SP-02 IO-06 H-01

NSCE-00 L-01 PA-01 /055 W

-----097209 071601Z /45

P 071425Z JUN 78

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC PRIORITY 1176

INFO AMEMBASSY ABU DHABI

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CONFIDENTIAL SECTION 2 OF 2 KUWAIT 3443

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6. WHAT IS TO BE DONE. EXPANDING ON EARLIER THEMES (REF H), AL-HAMAD SAID THAT OVER AND ABOVE CURBING CORRUPTION IN THE PRESENT ADMINISTRATION, EGYPT'S MOST VITAL NEED WAS TO ORGANIZE THE GOVERNMENT IN SUCH A WAY THAT SOME SORT OF A COORDINATED PLAN COULD BE CARRIED OUT. A PLANNING MINISTRY SHOULD BE SET UP WITH REAL POWER THAT COULD TAKE DECISIONS AND COORDINATE GOVERNMENT POLICY RATHER THAN LETTING THE PRESENT SITUATION CONTINUE IN WHICH COMPETING BUREAUCRACIES COUNTERBALANCE EACH OTHER, PRODUCING INERTIA. LACK OF DIRECTION, NOT FINANCE, WAS EGYPT'S NUMBER ONE ECONOMIC PROBLEM, AL-HAMAD CONTENDED.

7. GODE. AL-HAMAD CLAIMED THAT THE ORGANIZATION HAD BEEN CONFIDENTIAL

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PAGE 02 KUWAIT 03443 02 OF 02 071532Z

VIRTUALLY HIS CREATION. HE HAD URGED THAT IT BE SET UP IN ORDER TO HAVE AN ONGOING VEHICLE FOR CHANNELING AID TO EGYPT IN A CONSTRUCTIVE FASHION. HOWEVER, THE EGYPTIANS DID NOT USE IT IN THIS WAY, JUST AS THEY DID NOT USE THE CONSULTATIVE GROUP AS THEY SHOULD. "THIS YEAR, LIKE LAST YEAR, THEY WILL SET UP THEIR TENTS AND WE WILL HAVE A MEETING. THE MEETING WILL END AND THE TENTS WILL BE PUT AWAY FOR THE NEXT YEAR AND NOTHING WILL HAPPEN IN BETWEEN." EGYPT, AL-HAMAD SAID IN ALMOST PLEADING TONES, SHOULD BE REGULARLY IN CONTACT WITH THE KUWAIT FUND AND OTHER ARAB DONORS ABOUT ITS NEEDS AND WHAT IT IS DOING INSTEAD OF COMING AROUND ONCE A YEAR, HAT IN HAND, WITH NO PREPARATION. IT WAS NOT ENOUGH FOR SADAT TO ASK KING KHALID FOR MORE. IF THE EGYPTIANS WERE SMART THEY WOULD BE IN TOUCH WITH AND CULTIVATE THE DAILY PLAYERS IN THE ARAB AID BUSINESS SUCH AS SAUDI FINANCE MINISTER ABA AL-KHAYL, KUWAIT FINANCE MINISTER ATEEQI, GODE CHAIRMAN DAKHEEL, ETC. "IT IS CRUCIAL TO BE ON THE RIGHT SIDE OF THESE PEOPLE. THE EGYPTIANS SHOULD USE A TWO-TRACK APPROACH, AT THE TOP AND THE MIDDLE LEVELS, BUT THEY DON'T." AS FOR ANY FUTURE GODE MEETINGS, AL-HAMAD SAID HE KNEW OF NONE SCHEDULED FOR THE NEXT FEW MONTHS.

8. SUDAN. SUDAN'S PRESIDENT NUMAYRI VISITED KUWAIT JUNE 5-6 ACCOMPANIED BY A NUMBER OF TOP SUDANESE OFFICIALS. IN RESPONSE TO OUR QUERY AS TO WHETHER THIS VISIT INCLUDED DISCUSSIONS OF SUDAN'S ECONOMY AND KUWAIT ASSISTANCE TO THE SUDAN, AL-HAMAD, WHO IS KEY FIGURE ON ALL QUESTIONS OF KUWAIT ASSISTANCE, SAID HE KNEW OF NONE. HE ADDED THAT HE'D SEEN NOTHING TO CHANGE THE VIEWS HE HAD GIVEN US ON

SUDAN THE LAST TIME WE TALKED WITH HIM (REF G).

9. COMMENT. AL-HAMAD GAVE EVERY IMPRESSION OF BEING INTENSELY  
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PAGE 03 KUWAIT 03443 02 OF 02 071532Z

INTERESTED IN AND COMMITTED TO SUPPORT OF EGYPTIAN ECONOMIC  
DEVELOPMENT. HE HAS DONE A GREAT DEAL FOR EGYPT BEFORE AND WILL  
CONTINUE TO DO SO. BUT HE IS TRULY TRUSTED BY WHAT HE SEES AS  
EGYPT'S INABILITY TO HELP ITSELF, TO MAKE THE CHANGES  
NECESSARY TO MAKE GOOD USE OF HELP IT RECEIVES, OR EVEN TO  
INTELLIGENTLY CULTIVATE ITS FRIENDS. WE DISAGREE WITH  
KHARTOUM'S VIEW OF AL-HAMAD AS SOMEONE MERELY SITTING  
IN A "QUIET, CARPETED CLOISTER" (REF F). HE HAS MORE  
EXPERIENCE IN THE AID BUSINESS THAN ANY OTHER ARAB OFFICIAL.  
HE IS WELL INFORMED, ARTICULATE, AND WHOLLY DEDICATED TO  
DEVELOPMENT IN THE ARAB WORLD. WHETHER HE IS ACCURATE OR  
WISE WHEN HE DESCRIBES EGYPT'S PROBLEMS IS NOT FOR US TO  
SAY. BUT WHEN HE SAYS THE EGYPTIANS ARE NOT TALKING TO  
HIM, AND ARE NOT MAKING THEIR CASE WITH ARAB DONORS, WE  
SHOULD LISTEN. IT IS NOT THAT AL-HAMAD WANTS TO FEEL  
SOUGHT AFTER--HE IS ANXIOUSLY ASKING FOR A MEAN-  
INGFUL, CONTINUING DIALOGUE WITH THE EGYPTIANS WHICH HAS  
NOT COME ABOUT, AND HE IS ASKING US TO BRING HOME TO THE  
EGYPTIANS HOW IMPORTANT THAT DIALOGUE IS.  
SUTHERLAND

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## Message Attributes

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